

DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH CARE FINANCING ADMINISTRATIONFORM APPROVED
OMB NO. 0938-0193**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**1. TRANSMITTAL NUMBER:
03-0222. STATE
Kentucky

FOR: HEALTH CARE FINANCING ADMINISTRATION

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE
SOCIAL SECURITY ACT (MEDICAID)TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES4. PROPOSED EFFECTIVE DATE
7/01/03

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN☒ AMENDMENT

COMPLETE BLOCKS THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

42 CTR 447.272

7. FEDERAL BUDGET IMPACT:

a. FFY 2003 \$ 5.475 million

b. FFY 2004 \$ 5.25 million

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-A, page 16

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable):

None

10. SUBJECT OF AMENDMENT:

Reimbursement for hospital services

11. GOVERNOR'S REVIEW (Check One):

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL☒ OTHER, AS SPECIFIED: Review delegated
to Commissioner, Department for Medicaid
Services

12. SIGNATURE OF STATE AGENCY OFFICIAL:

Mike Robinson

13. TYPED NAME: Mike Robinson

14. TITLE: Commissioner, Department for Medicaid Services

15. DATE SUBMITTED:

9/30/03

16. RETURN TO:

Frances McGraw
Eligibility Policy Branch
Department for Medicaid Services
275 East Main Street 6W-C
Frankfort, Kentucky 40621**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED:

SEP 30 2003

18. DATE APPROVED:

APR 19 2004

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

JUL - 1 2003

20. SIGNATURE OF REGIONAL OFFICIAL:

Deborah Smith

21. TYPED NAME:

Charlene Brown

22. TITLE:

Deputy Director, CMSO

23. REMARKS:

State: Kentucky

- (20) All hospitals operating in the Commonwealth of Kentucky that belong to the Appalachian Regional Hospital system will receive an adjusted payment equal to the difference between what Medicaid pays for inpatient services and what Medicare would pay for those same services to Medicaid eligible individuals or its proportionate share of \$7.5 million, whichever is lower. The Upper Payment Limit as defined in 42 CFR 447.272 will be applied on a facility-specific basis. These payments will be made on a quarterly basis within 30 days of the end of the quarter.

The Upper Payment Limit as defined in 42 CFR 447.272 will be calculated as follows:

- 1.1 Calculate the hospital specific case-mix index using inpatient Medicaid claims data for each facility from the data set utilized to develop Medicaid-specific relative value weights for the most recent state fiscal year as follows:
 - a) Assign each inpatient Medicaid claim to a Medicare DRG.
 - b) Total the number of claims assigned to each DRG.
 - c) Multiply the number of discharges for each DRG by the Medicare relative weight (include claims mapped to a psych DRG unless the facility has an excluded unit).
 - d) Add the results of Step 1.1.c.
 - e) Divide the results of Step 1.1.d by the total number of discharges.
- 1.2 Calculate the facility-specific operating payment using Medicare rates effective in the period for which payments are to be made.
 - a) Select the appropriate average standardized amount considering the location of the hospital (large urban or other) from Table 1A of the final rule for the applicable federal fiscal year published in the Federal Register.
 - b) Multiply the labor-related portion of the standardized amount by the applicable wage index for the geographic area in which the hospital is located or the area to which the hospital is reclassified.
 - c) Add the amount from Step 1.2.b and the nonlabor-related portion of the standardized amount from the final rule for the applicable federal fiscal year published in the Federal Register.
 - d) Multiply the amount from Step 1.2.c by the case-mix index calculated in accordance with Step 1.1.
 - e) Multiply the amount from Step 1.2.d by: 1 + Operating DSH Adjustment Factor + Operating IME Adjustment factor. The adjustment factors to be applied shall be obtained from the Medicare Intermediary or CMS public use files.
- 1.3 Calculate total Operating Payments.
 - a) For each facility, multiply the amount from Step 1.2.e by the number of discharges from the data set utilized to develop Medicaid-specific relative value weights for the most recent state fiscal year.
 - b) Total the amounts calculated in Step 1.3.a.

State: Kentucky

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- 1.4 Calculate the facility-specific capital payment using Medicare rates effective in the period for which payments are to be made.
 - a) Select the national capital standard federal payment rate from Table 1D of the final rule for the applicable federal fiscal year published in the Federal Register.
 - b) Multiply the national capital standard federal payment by the applicable geographic adjustment factor for the geographic area in which the hospital is located or the area to which the hospital is reclassified.
 - c) Multiply the amount calculated in Step 1.4.b by the case-mix index calculated in accordance with Step 1.1.
 - d) Multiply the amount calculated in Step 1.4.c by: 1 + Capital DSH Adjustment Factor + Capital IME Adjustment factor. The adjustment factors to be applied shall be obtained from the Medicare Intermediary or CMS public use files.
 - 1.5. Calculate total capital payments.
 - a) For each facility, multiply the amount from Step 1.4.d by the number of discharges from the data set utilized to develop Medicaid-specific relative value weights for the most recent state fiscal year.
 - b) Total the amounts calculated in Step 1.5.a.
 - 1.6. Calculate outlier payments using the data set utilized to develop Medicaid-specific relative value weights for the most recent state fiscal year in accordance with the Medicare prospective payment system.
 - 1.7. Calculate transfer adjustments using the data set utilized to develop Medicaid-specific relative value weights for the most recent state fiscal year in accordance with the Medicare prospective payment system.
 - 1.8. Calculate facility-specific payment rate for discharges from excluded units.
 - a) Select the Target Amount from Worksheet D-1 of the most recent available cost report.
 - b) Inflate the target amount from Step 1.8.a by the latest CMS hospital marketbasket index forecast for non-PPS (exempt) hospitals published in the federal register.
 - 1.9. Calculate total payments for excluded units
 - a) Multiply the amount calculated in Step 1.8.b for each facility by the number of discharges from excluded units for the facility in the data set utilized to develop Medicaid-specific relative value weights for the most recent state fiscal year.
 - b) Total the amounts calculated in Step 1.9.a
 - 1.10. Calculate Total Estimated Payments under Medicare
 - a) Total the amounts calculated in Step 1.3.b, Step 1.5.b, Step 1.6, Step 1.7, and Step 1.9.